

VZCZCXRO3355
PP RUEHLMC
DE RUEHLP #2572/01 2631712
ZNR UUUUU ZZH
P 201712Z SEP 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 5043
INFO RUEHAC/AMEMBASSY ASUNCION 7082
RUEHBO/AMEMBASSY BOGOTA 4452
RUEHBR/AMEMBASSY BRASILIA 8347
RUEHBU/AMEMBASSY BUENOS AIRES 5576
RUEHCV/AMEMBASSY CARACAS 2802
RUEHPE/AMEMBASSY LIMA 2989
RUEHMN/AMEMBASSY MONTEVIDEO 4854
RUEHQT/AMEMBASSY QUITO 5436
RUEHSG/AMEMBASSY SANTIAGO 0043
RUEHUB/USINT HAVANA 0541
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UNCLAS SECTION 01 OF 02 LA PAZ 002572

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SUBJECT: MILLENNIUM CHALLENGE: AN UPDATE FROM BOLIVIA

Summary

11. (U) Despite recent hostile pronouncements against US assistance from the national government, Bolivia continues its pursuit of a Millennium Challenge Corporation (MCC) Compact for US\$650 million. There are signs however, that the GOB is not united in its pursuit of such a Compact. Despite previous announcements of his intentions to deliver personally a completed proposal to the MCC, Vice President Garcia Linera cancelled the appointment at the last minute, claiming the English translation was not complete. Instead, the proposal was delivered to the MCC for "technical review" via email on September 5 and is supposed to be formally submitted on September 21 by the Bolivian Ambassador. Currently, the proposal focuses on development of the northern region of Bolivia through road building and agricultural development. End Summary.

Mixed Signals and Managed Expectations

12. (SBU) The week leading up to Vice President Linera's visit to Washington (September 5-6) was marked by vehement attacks by the GOB on USAID, its employees, and its programs. Within the context of this intentionally hostile environment, the Vice President was to deliver the official Bolivian Country Proposal to the MCC. At the last moment, however, Garcia Linera canceled his appointment with the MCC, saying that the English translation of the proposal was not ready. The proposal was delivered, however, in English and Spanish to the MCC via email for technical review that same day. Graciela Toro, the MCC project coordinator here in La Paz, later met with the DCM and explained that the proposal had been ready since August 31. Initially, she was instructed by the Vice President not to submit the proposal so that he could do it personally. The day before the scheduled presentation though, she was told only to submit it on a technical level and that Ambassador Guzman would officially deliver it in a couple weeks.

13. (U) The local press has reported that the technical

proposal was submitted. Graciela Toro is quoted as saying that the GOB is hoping to sign a Compact around June in order to have the money budgeted for 2008. On the other hand, Ambassador Goldberg was quoted as saying that although Bolivia is eligible, it will be difficult to sign a Compact for 2008 given that the process is a long one and Bolivia is only at the beginning of the road. While he did not rule out the possibility, he reiterated that there are many steps to be taken before funding can be awarded. Typically due diligence takes anywhere from 6-9 months after an Opportunity Memorandum is approved by the MCC's Investment Committee. Currently, without even the official proposal, it is too early in the process to estimate when a MCC Compact to Bolivia might be finalized.

The Proposal

¶4. (U) The proposal concentrates on the northern region of Bolivia in the departments of La Paz, Beni, and Pando. It is designed to improve both major road corridors and lesser rural connecting roads. The proposal also includes a smaller project focused on rural productive development. The main objectives of the proposal are to: 1) Increase integration of a region historically isolated from the rest of the country; 2) reduce transportation time/costs while improving road infrastructure; and 3) diversify the Bolivian economy away from its heavy reliance on natural gas and mineral resources.

¶5. (U) The Bolivian proposal presents various scenarios for the infrastructure components. The Compact amount for Bolivia could fluctuate significantly depending on which scenario is ultimately agreed upon after a thorough technical

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review and due diligence. MCC's funding allocations will also impact this total. The "base amount" the GOB is requesting in its proposal is approximately US\$657 million.

Comment

¶6. (U) For ultimate success, the MCC needs to be a top priority for the Morales Administration. The technical team must enjoy the support of the President and his administration. The USG will continue to work with Bolivia on the Compact, but much depends on the GOB. Continued participation in the MCC program is reliant on Bolivia's continued commitment to ruling justly, investing in people, and encouraging economic freedom. Casting further doubt on the President Morales' commitment to a MCC Compact were comments he made this past weekend noting that President Lula of Brazil was also offering financing (to the tune of US\$300-500 million) and that Morales would at some point chose between the American and Brazilian "offers".
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